

Year 2000 Railroad Retirement and Unemployment Insurance Taxes

While regular railroad retirement payroll tax rates are not changed for the year 2000, the amounts of compensation subject to these Federal payroll taxes on covered rail employers and employees are scheduled to increase in January 2000 as a result of indexing to average national wage increases.

The railroad retirement tier I tax rate of 7.65 percent for employers and employees, which is the same as the social security tax and for withholding and reporting purposes is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance, remains the same. However, the maximum amount of an employee's earnings subject to the 6.20 percent rate will increase to \$76,200 in 2000 from \$72,600 in 1999. There is no maximum on earnings subject to the 1.45 percent Medicare rate; all of an employee's compensation is subject to the Medicare tax.

The maximum amount of earnings subject to the railroad retirement tier II tax of 4.90 percent on employees, and 16.10 percent on employers, will increase to \$56,700 from \$53,700.

In 1999, the regular railroad retirement tax on an employee earning \$72,600 was \$8,185.20 and the employer's regular railroad retirement tax on such an employee was \$14,199.60. In 2000, the railroad retirement tax on an employee earning \$76,200 will be \$8,607.60 compared to \$5,829.30 under social security, and the employer's tax will be \$14,958.

The rate of the supplemental railroad retirement annuity tax paid solely by rail employers is determined quarterly by the Railroad Retirement Board. The rate for all four quarters of 1999 has been 27 cents per work-hour; the rate for the first quarter of 2000 will be announced later in 1999.

(More)

Employers, but not employees, also pay railroad unemployment insurance taxes, which are experience-rated by employer. In 2000 unemployment insurance tax rates will range from 0.65 percent to a maximum of 12 percent on monthly employee compensation up to \$1,005, except for new employers who will initially pay a tax of 1.67 percent which represents the average rate paid by all employers in the period 1996-1998. A surcharge of 1.5 percent, which was added to the basic tax rates in 1998 and 1999, will not be in effect for 2000 because of an increase in the Railroad Unemployment Insurance Account balance, which was almost \$118.7 million on June 30, 1999.

For 72 percent of covered employers, the unemployment insurance rate assessed will be 0.65 percent in 2000, which is \$6.53 per month for each employee with earnings of \$1,005 or more per month, and 9 percent will be assessed a rate of 12 percent, which is \$120.60 per month for each employee with earnings of \$1,005 or more per month.

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